



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 24, 1997

### **H.R. 836** **Filipino Veterans Equity Act of 1995**

*As introduced on February 26, 1997*

#### **SUMMARY**

H.R. 836 would make World War II veterans of the Philippine Commonwealth Army and the Philippine Scouts and their dependents eligible for benefits administered by the Department of Veterans Affairs (VA) under the same conditions as U.S. veterans. Under current law, these veterans are eligible for compensation and burial benefits at half the full rate but are not eligible for pensions or medical benefits. CBO estimates that enacting the bill would increase direct spending by about \$517 million in 1998 and by \$4.9 billion over the 1998-2002 period; in addition, H.R. 836 would raise spending subject to appropriations by about \$77 million in 1998 and \$415 million over the five-year period. Because the bill would raise direct spending, pay-as-you-go procedures would apply. The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

Table 1 displays the estimated increases in direct spending over the 1998-2002 period. These costs would stem from payments for disability compensation, pensions, and burial benefits. It also shows the estimated increases in spending subject to appropriations that would be due to the costs of medical care and administration.

**Disability Compensation.** Under current law, about 6,200 Filipino veterans with service-connected disabilities receive compensation, and about 7,100 survivors receive dependency and indemnity compensation (DIC). The average yearly benefits for those veterans and survivors are \$2,800 and about \$5,700, respectively, which is half the amount currently paid to U.S. veterans and their survivors. H.R. 836 would require that Filipino veterans be paid at the full rate, thus increasing the outlays for the program by about \$51 million in 1998 and \$278 million over the 1998-2002 period, as shown in Table 2. The estimate reflects expected mortality in the veteran population and subsequent additions to the DIC program.

TABLE 1. BUDGETARY IMPACT OF H.R. 836 (By fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002
<b>DIRECT SPENDING</b>					
Estimated Budget Authority	565	1,081	1,092	1,100	1,107
Estimated Outlays	517	1,038	1,091	1,100	1,107
<b>SPENDING SUBJECT TO APPROPRIATIONS</b>					
Estimated Authorization Level	81	91	87	83	80
Estimated Outlays	77	88	87	83	79

**Pensions.** To be eligible for pension benefits, a veteran must be 100 percent disabled, have an income less than about \$8,500, and not receive disability compensation. This estimate assumes that nearly all Filipino veterans would qualify for pension benefits based on income because the average income in the Philippines is below the threshold for this benefit. Assuming that 90 percent of the Filipino veterans would meet the other tests and apply for benefits, CBO estimates that in 1998 about 60,000 veterans would receive a pension of about \$11,100 annually. This represents the maximum pension rate with adjustments for dependents and the likelihood of receiving a benefit for aid and attendance.

Based on the relationship between the caseloads of comparable U.S. veterans and survivors, CBO estimates that about 52,000 eligible survivors would receive a benefit in 1998 and that the number would rise to about 61,000 survivors by 2002. Because most survivors would live in the Philippines and have a low enough income, CBO assumes that they would receive the maximum pension rate for a survivor with adjustments for dependents and disability, which in 1998 will be about \$6,700. As shown in Table 2, total pension costs would be an estimated \$464 million in 1998 and \$4.6 billion over the 1998-2002 period.

**Burial Benefits.** Veterans who receive disability compensation or a pension are eligible for a plot and burial benefit of \$450, a headstone or marker, and a flag. Burial benefits are currently paid for Filipino veterans who receive disability compensation, but the benefit is half of that for U.S. veterans. Using expected mortality rates, we estimate that annual burial costs for about 300 deceased Filipino veterans who would receive disability compensation and about 3,000 deceased veterans who would receive pension benefits would be about \$2 million annually.

TABLE 2. DIRECT SPENDING IMPACT OF H.R. 836 (By fiscal year, in millions of dollars)

	1997	1998	1999	2000	2001	2002
<b>COMPENSATION</b>						
Spending Under Current Law						
Estimated Budget Authority	16,802	16,717	17,313	17,726	18,133	18,550
Estimated Outlays	15,942	16,664	17,263	17,692	18,099	18,515
Proposed Changes						
Estimated Budget Authority	0	56	56	57	57	57
Estimated Outlays	0	51	56	57	57	57
Spending Under H.R. 836						
Estimated Budget Authority	16,802	16,773	17,369	17,783	18,190	18,607
Estimated Outlays	15,942	16,715	17,319	17,749	18,156	18,572
<b>PENSIONS</b>						
Spending Under Current Law						
Estimated Budget Authority	2,975	2,975	2,975	3,000	3,050	3,125
Estimated Outlays	2,975	2,989	2,984	3,010	3,027	3,122
Proposed Changes						
Estimated Budget Authority	0	507	1,023	1,033	1,041	1,048
Estimated Outlays	0	464	980	1,032	1,041	1,048
Spending Under H.R. 836						
Estimated Budget Authority	2,975	3,482	3,998	4,033	4,091	4,173
Estimated Outlays	2,975	3,453	3,964	4,042	4,068	4,170
<b>BURIAL BENEFITS</b>						
Spending Under Current Law						
Estimated Budget Authority	117	119	121	124	127	130
Estimated Outlays	117	119	121	124	127	130
Proposed Changes						
Estimated Budget Authority	0	2	2	2	2	2
Estimated Outlays	0	2	2	2	2	2
Spending Under H.R. 836						
Estimated Budget Authority	117	121	123	126	129	132
Estimated Outlays	117	121	123	126	129	132

**Medical Care.** H.R. 836 would make Filipino veterans eligible for veterans' medical benefits under the same conditions as U.S. veterans. Under current law, U.S. veterans with service-connected disabilities of at least 10 percent and veterans with incomes below certain thresholds qualify for priority medical care.

We assume that nearly all beneficiaries living in the Philippines would qualify for priority medical care based on their income because the average annual income in the Philippines falls below the legislated threshold. But not all such veterans would seek care from VA, in part because VA has only one outpatient clinic in the Philippines, and travel to the clinic would discourage some veterans from seeking VA-funded care. (Veterans needing inpatient care are treated in hospitals under contract to VA.) Similarly, not all Filipino veterans living in the United States would seek care from VA. Although they would have access to more VA facilities than veterans in the Philippines, many have other sources of health care coverage, such as Medicare, Medicaid, or retiree health insurance. Veterans who have access to other sources of care would not rely as much on the VA health system.

Based on usage rates of comparable U.S. veterans, we estimate that about 65 percent of eligible Filipino veterans living in the Philippines and 32 percent of Filipino veterans living in the United States would use the VA health system. Although the usage rate in the United States would be about the same as that for all World War II veterans, we believe that the usage rate in the Philippines would be higher because many of these veterans would not have alternate sources of health care coverage such as Medicare.

Total costs would depend on how many patients would require relatively routine health care services and how many would be chronically ill and require more intensive services. Based on a model developed by VA for allocating appropriations within the United States, we assume that VA would spend about \$3,100 per patient per year for routine health care and about \$35,000 per year for chronically ill patients. For care in the Philippines, we adjust those estimates to reflect the lower cost of providing medical care.

Data from VA indicates that 96 percent of its patients require routine care, and 4 percent receive chronic care or specialized services. This estimate assumes that those proportions apply to veterans affected by this bill. In total, the cost of providing medical benefits to Filipino veterans would be \$60 million in 1998 and about \$386 million over the 1998-2002 period, as shown in Table 3.

**General Operating Expenses.** If enacted, H.R. 836 would increase VA's administrative costs by an estimated \$17 million in 1998 and \$29 million over the 1998-2002 period. Based on information from VA, CBO estimates that the cost to process and activate new claims in 1998 would be about \$110 per case. As shown in Table 3, administrative costs after 1998 would decrease to about \$2 million annually.

TABLE 3. BUDGETARY IMPACT OF PROPOSED IMPACTS OF H.R. 836 ON SPENDING SUBJECT TO APPROPRIATIONS (By fiscal year, in millions of dollars)

	1997	1998	1999	2000	2001	2002
<b>MEDICAL CARE</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	16,313	16,313	16,313	16,313	16,313	16,313
Estimated Outlays	16,250	16,150	16,150	16,150	16,150	16,150
Proposed Changes						
Estimated Authorization Level	0	67	87	84	81	78
Estimated Outlays	0	60	84	84	81	77
Spending Under H.R. 836						
Estimated Authorization Level	16,313	16,380	16,400	16,397	16,394	16,391
Estimated Outlays	16,250	16,210	16,234	16,234	16,231	16,227
<b>ADMINISTRATIVE COSTS</b>						
Spending Under Current Law						
Estimated Authorization Level <sup>a</sup>	828	828	828	828	828	828
Estimated Outlays	873	873	873	873	873	873
Proposed Changes						
Estimated Authorization Level	0	17	4	4	2	2
Estimated Outlays	0	17	4	4	2	2
Spending Under H.R. 836						
Estimated Authorization Level	828	845	832	832	830	830
Estimated Outlays	873	890	877	877	875	875

a. The 1997 level is the amount appropriated for that year. Amounts for fiscal years 1998 through 2002 are subject to future appropriations actions. The current law amounts shown here assume that appropriations under current law remain at the 1997 level. If they are adjusted for inflation, medical care amounts would grow at a rate of about \$500 million a year and amounts for administrative costs would grow at a rate of about \$30 million a year, but the estimated changes would remain as shown.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. Because the bill would affect direct spending, pay-as-you-go procedures would apply. The projected changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

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Summary of Pay-As-You-Go Effects

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	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Change in Outlays	517	1,038	1,091	1,100	1,107	1,112	1,115	1,211	1,119	1,025
Changes in Receipts										Not Applicable

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**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 836 contains no intergovernmental or private-sector mandates as defined in UMRA and would not have a significant impact on the budgets of state, local, or tribal governments.

**ESTIMATE PREPARED BY:**

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